

February 13, 2015

BY HAND DELIVERY AND ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

**RE: Docket 4473 - Electric Infrastructure, Safety, and Reliability Plan
Quarterly Update – Third Quarter Ending December 31, 2014**

Dear Ms. Massaro:

On behalf of National Grid¹, I have enclosed for filing in the above-referenced docket ten (10) copies of the Company's fiscal year (FY) 2015 Electric Infrastructure, Safety, and Reliability (ISR) Plan quarterly update for the second quarter ending December 31, 2014. Pursuant to the provisions of the approved FY 2015 Electric ISR plan, the Company committed to providing quarterly updates on the progress of its Electric ISR programs to the PUC and the Division.

Thank you for your attention to this matter. If you have any questions, please contact me at 781-907-2121.

Very truly yours,



Raquel J. Webster

Enclosure

cc: Leo Wold, Esq.
Steve Scialabba
James Lanni
Al Contente

¹ The Narragansett Electric Company d/b/a National Grid (Company).

Certificate of Service

I hereby certify that a copy of the cover letter and/or any materials accompanying this certificate were electronically transmitted to the individuals listed below.

Copies of this filing will be hand delivered to the RI Public Utilities Commission and to the RI Division of Public Utilities and Carriers.

Joanne M. Scanlon

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Docket No. 4473 National Grid's FY 2015 Electric Infrastructure, Safety and Reliability Plan - Service List as of 01/07/14

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Electric Infrastructure, Safety, and Reliability Plan

FY2015 Quarterly Update

Third Quarter Ending December 31, 2014

Executive Summary

Through the third quarter of fiscal year 2015 (FY 2015), the Company¹ spent \$51.9 million for capital investment projects against a year-to-date budget of \$50.1 million. Overall, capital spending for FY 2015 through the third quarter was \$1.8 million over-budget. This above budget spending variance was primarily driven by the fact that capital spending in the Discretionary Sub-category was above the year-to-date budget by \$8.0 million, which was primarily due to over-budget spending in the Asset Condition and System Capacity and Performance categories. At the same time, spending in Non-Discretionary Sub-Category was under the year-to-date budget by \$6.2 million, which was comprised of an over-spend of \$2.2 million in the Customer Request/Public Requirements category and an under-spend of \$8.4 million in the Damage/Failure category. Each of these categories is addressed in more detail below.

FY 2015 Capital Spending by Key Driver Category

Non-Discretionary Spending

Customer Request/Public Requirement - \$2.2M over-budget variance year-to-date

Spending through the third quarter of FY 2015 in the Customer Request/Public Requirement category (*previously called the Statutory/Regulatory category*) was \$2.2 million above-budget, which was driven primarily by the projects below:

- Capital spending year-to-date on the new Shun Pike Substation project was approximately \$1.3 million more than budget. At this time, the Company is projecting that this project will be \$1.3 million over-budget in FY 2015. Although this project was completed in FY 2014, charges were re-classified between an associated transmission project and two distribution projects during the closeout process in FY 2015.

¹ The Narragansett Electric Company d/b/a National Grid (National Grid or the Company).

- Capital spending year-to-date on the I-195 Relocation projects for Contracts 14 and 15 was approximately \$1.0 million over-budget due to the identification of undocumented third-party utilities that required relocation of the manhole and duct system from the original designed layout. This also resulted in additional contaminated soil displacement. Additional construction labor hours were also required to meet changes to the state contractor's schedule. The Company expects that the projects will be approximately \$1.0 million over-budget by the end of the fiscal year.
- Capital spending year-to-date on phase two of the Watch Hill Underground project was \$0.7 million over-budget. The Company expects that this project will be approximately \$0.9 million over-budget in FY 2015 because construction is occurring in FY 2015. The Company received the customer contribution in the prior fiscal year.
- Capital spending year-to-date on the Ocean State New Business Residential blanket was \$0.7 million over-budget due to higher demand and costs to date. The Company expects that this blanket will be approximately \$0.7 million over-budget at year-end.
- Capital spend year-to-date on several emergent customer projects, such as Nasonville 127W41 project, are a combined \$0.3 million over-budget and are expected to be \$0.9 million over-budget at year-end. These emergent projects are required to meet customer demand.

Overall, for FY 2015, the Customer Request/Public Requirement category is forecasted to be \$3.1 million above-budget at the end of the fiscal year.

Damage/Failure - \$8.4M under-budget variance year-to-date

Spending through the third quarter of FY 2015 in the Damage/Failure category was \$8.4 million less-than budgeted. This variance was primarily due to the Ocean State Storm Capital Confirming project, which was approximately \$10.8 million less than budgeted. During the third quarter, an adjustment associated with the Company's storm reconciliation filing, which was made to true-up storm-related capital costs to actual installed units, reclassified \$6.2 million from capital to Operation and Maintenance (O&M) expense. In addition, the Company received a \$2.6 million credit that was associated with an insurance claim for a 2012 Rhode Island Flood.

There has been an increased spend in the identification and replacement of assets by Operations in the Ocean State Damage/Failure blankets for line and substations. Spending through the third quarter on these blankets is a combined \$1.9 million more

than budgeted and is expected to be \$2.2 million over-budget at the end of the fiscal year. In addition, projects equipment failures at the Sockanosett, Nasonville, Warwick Mall, and Franklin Square substations have contributed to above-budget spending by a combined \$1.1 million. These substation projects are expected to be \$0.9 million over budget at the fiscal year end.

Overall, for FY 2015, the Damage Failure category is forecasted to be approximately \$8.1 million under budget at the end of the fiscal year due to the aforementioned credits to the storm project.

Finally, as noted above and shown in Attachment A, the total Non-Discretionary category had a year-to-date capital spending variance of \$6.2 million under budget, and, at this time, is projected to be approximately \$5.0 million under budget at the end of the fiscal year.

Discretionary Spending

Asset Condition - \$4.4M over-budget variance year-to-date

Through the third quarter of FY 2015, capital spending for the Asset Condition category was \$4.4 million higher than budgeted primarily due the following major projects:

- 1) Year-to-date, capital spending for the Inspection and Maintenance (I&M) distribution line overhead work was \$1.8 million greater than the year-to-date budget. The Company continued to ramp up the program in FY 2015 with the intent to complete construction on twenty percent of the distribution circuits in Rhode Island. Ultimately, the Company determined costs to complete twenty percent would greatly exceed budget. As a result, approximately half of the circuits were deferred to FY 2016 to reduce the year-end forecast closer to budget. This program is currently forecasted to be \$0.6 million over the ISR budget by the end of the fiscal year.
- 2) Capital spending for the DxT Relay Replacement strategy was \$0.9 million greater than the year-to-date budget. Failure of the remaining obsolete electro-mechanical and solid state relays, which are no longer supported by the manufacturer and have limited available spare parts, may result in prolonged outages, negatively impact transmission system stability, and damage equipment. Therefore, the Company has advanced these replacements and, at this time, forecasts that this project will be approximately \$1.2 million over the ISR budget by the end of the fiscal year.

- 3) Capital spending for the Eldred Substation project has a year-to-date over-budget variance of \$0.8 million. The original budget estimate was based on conceptual engineering, and the cost increased as a result of detailed engineering. At this time, the Company forecasts that this project will be approximately \$0.9 million over-budget by the end of the fiscal year.
- 4) The Governor St, Providence Ductline project has a year-to-date over budget variance of \$0.7 million. This project variance is due to productivity loss associated with restricted working locations and schedules as the result of public concerns raised during construction in this high profile area. The Company forecasts this project will be approximately \$0.7 million over-budget at year-end.
- 5) The Asset Replacement category contains a year-to-date allowance of \$3.4 million for schedule delays, which have not materialized, and several other projects are progressing ahead of schedule. The fiscal year end allowance is approximately \$4.6 million.
- 6) Spending below budget in other Asset Condition projects, such as Underground Residential Development (URD) Replacement and Metal-Clad switchgear retirement, partially offset the aforementioned spending above budget. These projects were delayed into future fiscal years.

Currently, overall spending in the Asset Condition category for FY 2015 is forecasted to be \$3.2 million above budget by fiscal year-end.

Non-Infrastructure - \$0.6M over-budget variance year-to-date

Through the third quarter of FY 2015, the Non-Infrastructure category spending was over-budget by \$0.6 million. At this time, it is projected that the Non-Infrastructure category will be \$0.6 million over-budget at the fiscal year-end. The variance was driven by the FY 2015 reclassification of a net credit of capital accounting adjustments from Non-Infrastructure to an allocated population of Damage/Failure construction work orders. These net accounting adjustments had been temporarily accrued to Non-Infrastructure in FY 2014, and represented high level entries to correctly state capital, cost of removal and O&M labor on Damage/Failure work orders.

System Capacity and Performance - \$2.9M over-budget variance year-to-date

Overall, capital spending through the third quarter of FY 2015 for the System Capacity and Performance category was \$2.9 million higher-than budgeted. This was primarily driven by the following:

- Capital spending through the third quarter for the New Highland Drive Substation project was \$2.7 million more than the year-to-date budget. At this time, the Company is forecasting that this project will be approximately \$2.8 million over budget at year end. The variance is driven by use of conceptual estimates when the FY15 ISR budget was set. The forecast was updated as project grade estimates were developed once detailed engineering was completed.
- The System Capacity and Performance category contains a year-to-date allowance of \$3.9 million for schedule delays, which have not materialized, and several other projects that are progressing ahead of schedule. The fiscal year-end allowance is approximately \$5.2 million.
- Capital spending on the Volt/Var pilot program through the third quarter was \$0.7 million more than the year-to-date budget. The Company forecasts that this project will be approximately \$1.0 million over-budget at the end of the fiscal year to account for engineering and design charges, material payments, and Information Systems support.
- The Pawtucket #1 Load Relief project is \$0.6 million over ISR budget through the third quarter. This emergent project was identified to address summer capacity constraints at the Pawtucket #1 substation. The project is expected to be \$0.7 million over budget at the end of the fiscal year.

Among the major projects offsetting these over spending projects through the third quarter were the following:

- The scope of the Chase Hill projects has been reduced from installing eight distribution feeders to installing four distribution feeders due to greater than anticipated distribution line costs and right-of-way construction and maintenance challenges. Consequently, the Chase Hill project has a variance below budget of \$4.2 million through the end of third quarter. At this time, is projected to have a year-end under budget variance of \$5.5 million.
- The Newport Substation projects have a below budget variance of \$1.4 million through the end of the third quarter. At this time, the project is forecasted to have a below budget variance of \$1.3 million at fiscal year-end because this project is still in the permitting and engineering phases, and construction is not expected to begin until FY 2016.

- Projects associated with the Kilvert substation are \$0.9 million under-budget through the third quarter. This project has experienced delays due to the impact of the T.F. Green airport expansion project on the line construction scope. These projects are expected to be \$1.0 million under budget at the end of the fiscal year.

At this time, the Company projects that the System Capacity and Performance category will be \$1.6 million over-budget at fiscal year-end.

Finally, as noted above and shown in Attachment A, the total Discretionary category had a year-to-date capital spending variance of \$8.0 million above budget, and, at this time, the Company expects this category to be approximately \$5.3 million over-budget at the end of the fiscal year. The Company is evaluating and pursuing opportunities to reduce capital spend in the Discretionary category in FY 2015.

In Docket No. 4473, the Rhode Island Public Utilities Commission (PUC) ordered the Company to include in the FY 2016 Electric ISR Plan filing a proposal to identify and report in quarterly and annual reconciliation filings the projects that exceeded or were under the fiscal year-to-date and fiscal year-end budgets by ten percent (10%).² For the identified projects, the Company would note whether variances were due to the project being accelerated or delayed or whether the variances were due to an increase or decrease in total project cost. The Company is submitting explanations for the portfolio of large projects³ with variances exceeding \$0.1 million. These projects represent approximately \$22.9 million of the FY 2015 budget. The information is shown in Attachment E.

Investment Placed in Service

For FY 2015, \$48.9 million has been placed in service through the third quarter. At this time, the Company estimates placing \$81.3 million of plant-in-service in FY 2015. The Non-Discretionary category estimate of approximately \$28.8 million is approximately \$3.3 million above the FY 2015 Electric ISR Plan planned amount. This is due to increased levels of spending in the Customer Request/Public Requirements and Damage/Failure categories as described above. The Discretionary category estimate of \$52.5 million is approximately \$9.1 million above the FY 2015 planned amount. This is

² Docket No. 4473 Order at 25.

³ Large projects are defined as exceeding \$1 million in total project cost.

primarily due to the Highland Park project and increased levels of spending in the Asset Condition category, as described previously. Overall, the current plant-in-service forecast of \$81.3 million is approximately \$12.4 million above the FY 2015 Electric ISR Plan planned amount of \$68.9 million. Details by spending rationale are included in Attachment B.

Vegetation Management

Through the third quarter of FY 2015, the Company has completed 75% of its annual distribution mileage cycle pruning goal with an associated spend of 80% of the FY 2015 budget for the cycle-pruning program. As previously noted in earlier quarterly reports, the costs for this program typically lag behind the work performed and the year-end forecast exceeds budget by \$370,000. The variance is driven by cycle pruning bids, which were significantly higher than previous years. Also, to maintain safe and reliable service and complete hourly pruning work, the Company re-prioritized some Sub-Transmission and Core Crew work. The Company's police detail costs are in line with what was expected for the year and the Company anticipates being on budget at year-end.

Inspection and Maintenance (I&M)

Through the third quarter of FY 2015, the Company completed 87% of its annual structure inspection goal. The Company expects to complete all planned inspections in FY 2015.

Through the third quarter of FY 2015, 57% of the total I&M budget has been spent with an associated spend of \$1.6 million. Also included in the total forecasted costs is the FY 2015 mobile elevated voltage testing, which the PUC approved at its January 16, 2014 Open Meeting for Docket No. 4237-A, and the October 15, 2014 Open Meeting for Docket No. 4237. The Company expects that the I&M budget at fiscal year-end will be \$0.6 million under-budget. Attachment D provides the spending to date for all components in this category.

The Company started performing inspections on its overhead distribution system in FY 2011, and started performing the repairs based on those inspections in FY 2012. The Company categorizes the deficiencies found as Level I, II, or III, and repairs Level I deficiencies either immediately or within approximately one week of the inspection. The Company bundles Level II and III work for planned replacement. At this time, the Company has completed repairs reported for approximately 30% of the deficiencies found. Total deficiencies found and repairs made to date are shown in the table below.

Summary of Deficiencies and Repair Activities RI Distribution				
Year Inspection Performed	Priority Level/Repair Expected	Deficiencies Found (Total)	Repaired as of 12/31/14	Not Repaired as of 12/31/14
FY 11	I	19	19	0
	II	13,147	12,585	562
	III	38	9	29
FY12	I	20	20	0
	II	15,870	14,521	1,349
	III	667	435	232
FY13	I	17	17	0
	II	26,885	5,148	21,737
	III	8,129	911	7,218
FY14	I	11	11	0
	II	23,034	980	22,054
	III	8,744	316	8,428
FY15	I	5	5	0
	II	17,449	3	17,446
	III	3,527	2	3,525
Total Since Program Inception		117,562	34,982	82,580

As shown in the table below, to date, results of the Company's manual elevated voltage testing for FY 2015 have not indicated any instances of elevated voltages found through either overhead or manual elevated voltage inspections. Street light and underground manual elevated voltage testing are scheduled to be performed later in the fiscal year.

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4473
FY 2015 Electric Infrastructure, Safety and Reliability Plan
FY 2015 Quarterly Update
Third Quarter Ending December 31, 2014
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Manual Elevated Voltage Testing	Total System Units Requiring Testing	FY 2015 Units Completed thru 12-31-14	Percent Completed	Units with Voltage Found (>1.0v)	Percent of Units Tested with Voltage (>1.0v)
Distribution Facilities	285,315	48,653	17.05%	0	0.00%
Underground Facilities	13,870	2,850	20.55%	0	0.00%
Street Lights	5,888	2,874	48.81%	0	0.00%

*Rhode Island Street Light Elevated Voltage Testing Program moved from a 5-year to a 3-year program. The Company achieved a 100% completion rate in FY 2014. The new 3-year cycle begins again in FY 2015.

*Manual Elevated Voltage Testing work for Underground facilities and Street Lights started at the end of the second quarter of FY 2015 but no data is available at this time

Attachment A

US Electricity Distribution - Rhode Island Capital Spend by Spending Rationale FY 2015 through September 30, 2014 (\$000)

	FYTD				FY 2015 Total		
	Budget	Actual	Variance		Budget	Forecast	Variance
Customer Request/Public Requirement	\$10,926	\$13,163	\$2,237		\$14,537	\$17,602	\$3,065
Damage Failure	\$7,345	(\$1,010)	(\$8,355)		\$9,816	\$1,735	(\$8,081)
<i>Subtotal Non-Discretionary</i>	<i>\$18,271</i>	<i>\$12,153</i>	<i>(\$6,118)</i>		<i>\$24,353</i>	<i>\$19,337</i>	<i>(\$5,016)</i>
Asset Condition	\$15,073	\$19,496	\$4,423		\$19,591	\$22,762	\$3,171
Non-Infrastructure	\$208	\$800	\$592		\$277	\$830	\$553
System Capacity & Performance	\$16,566	\$19,512	\$2,946		\$21,679	\$23,232	\$1,553
<i>Subtotal Discretionary</i>	<i>\$31,847</i>	<i>\$39,808</i>	<i>\$7,961</i>		<i>\$41,547</i>	<i>\$46,824</i>	<i>\$5,277</i>
Total Capital Investment in Systems	\$50,118	\$51,961	\$1,843		\$65,900	\$66,161	\$261

* () denotes an underspend for the period

Attachment B

**US Electricity Distribution - Rhode Island
Plant Additions By Spending Rationale
FY 2015 through December 31, 2014
(\$000)**

	FY 2015 Annual ISR Forecast	FYTD Actual in Service	Current FY 2015 Year End Forecast	% of Current Forecast Placed in Service
Customer Request/Public Requirement	\$14,574	\$12,800	\$18,107	71%
Damage Failure	\$10,921	\$7,534	\$10,718	70%
<i>Subtotal Non-Discretionary</i>	<i>\$25,495</i>	<i>\$20,334</i>	<i>\$28,825</i>	<i>71%</i>
Asset Condition	\$20,153	\$19,202	\$26,147	73%
Non- Infrastructure	\$277	\$220	\$276	80%
System Capacity & Performance	\$23,013	\$9,161	\$26,071	35%
<i>Subtotal Discretionary</i>	<i>\$43,443</i>	<i>\$28,583</i>	<i>\$52,494</i>	<i>54%</i>
Total Capital Investment in Systems	\$68,938	\$48,917	\$81,319	60%

Attachment C

**US Electricity Distribution - Rhode Island
O&M Vegetation Management
Expenditures
FY 2015 through December 31, 2014
(\$000)**

FY 2015 Total	FYTD	FY 2015 Total	
Budget	Actual	Forecast	Variance

Vegetation Management

Cycle Pruning (Base)	\$4,475	\$3,576	\$5,245	\$770
Hazard Tree	\$1,000	\$676	\$850	(\$150)
Sub-T (on & off road)	\$316	\$91	\$166	(\$150)
Police/Flagman Details	\$650	\$520	\$650	\$0
Core Crew (all other activities)	\$1,285	\$698	\$1,185	(\$100)

Total Vegetation Management	\$7,726	\$5,561	\$8,096	\$370
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	FY 2015 Goal	FYTD Goal	FYTD Complete	% Complete vs. Scheduled FYTD	Annual % Complete vs. FY 2015 Goal
Distribution Mileage Trimming	1,168	974	872	90%	75%

Attachment D

**US Electricity Distribution - Rhode Island
Inspection and Maintenance Program Progress Update
FY 2015 through December 31, 2014
(\$000)**

	FY 2015 Annual ISR Budget	FYTD Actual Spend	Current FY 2015 Year End Forecast	% Completed	
Opex Related to Capex	\$1,811	\$1,156	\$1,407	82%	
Repair & Inspections Related Costs	\$934	\$395	\$700	56%	
Long Range Plan	\$250	\$0	\$0	-	
Total Operation & Maintenance Expense	\$2,745	\$1,551	\$2,107	74%	
	FY 2015 Goal	FYTD Goal	FYTD Complete	% Complete vs Scheduled FYTD	Annual % Complete vs FY 2015
RI Distribution Overhead Structures Inspected	56,542	42,939	49,127	114.41%	86.89%

